

**CONNECTICUT
DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Connecticut)

Financial Statements
and
Supplementary Information

Years ended June 30, 2010 and 2009

CONNECTICUT DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Development Authority
Rocky Hill, Connecticut

We have audited the accompanying statement of net assets of the Connecticut Developmental Authority (the Authority) as of June 30, 2010 and the related statements of revenues, expenditures and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of Connecticut Developmental Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Connecticut Developmental Authority as of June 30, 2009, were audited by other auditors whose report dated September 30, 2009 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Developmental Authority as of June 30, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2010 on our consideration of Connecticut Developmental Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance of other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the 2010 basic financial statements taken as a whole. The accompanying supplementary information of combining financial statements and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the 2010 basic financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the 2010 basic financial statements and in our opinion, are fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.

Marcum LLP

Hartford, Connecticut
October 20, 2010

CONNECTICUT DEVELOPMENT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the financial performance and activity of the Connecticut Development Authority (the Authority) is intended to provide an overview and understanding of the financial statements of the Authority for the fiscal years ended June 30, 2010 and June 30, 2009, with selected comparative information for the year ended June 30, 2008.

The Authority's financial statements are included as a component unit in the State's Comprehensive Annual Financial Report. Accordingly, the Authority's financial statements comply with applicable Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) pronouncements.

The information contained in the MD&A has been prepared by management of the Connecticut Development Authority and should be read in conjunction with the Authority's financial statements and accompanying notes which follow this section.

Overview of the Financial Statements

The Authority's financial statements use proprietary fund reporting and report its financial position in three financial statements: (1) the Statements of Net Assets, (2) the Statements of Revenues, Expenses and Changes in Net Assets, and (3) the Consolidated Statements of Cash Flows.

The Statements of Net Assets presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities. Net assets represent the difference between total assets and total liabilities. Over time, increases or decreases in the Authority's net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets allows the user of the information to see the improvement or deterioration of the overall fiscal condition of the Authority for the year.

2010 Financial Highlights

- Total assets exceeded total liabilities by \$93,311,763 at June 30, 2010. Net assets totaling \$80,889,003 are unrestricted. Net assets totaling \$12,330,085 are restricted to be used principally for specific revenue or general obligation bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties. The authority's net assets invested in capital assets, net of related debt total \$92,675.
- The Authority's operations are very sensitive to both the economy and interest rate policy. The investment base of the Authority, from which it provides funding to administer its mission to create and maintain jobs, needs to be highly liquid so as to provide readily available cash for funding. Because of this, most of the Authority's cash is invested in the State of Connecticut's short-term investment fund. On June 30, 2010, the yield currently realized from STIF was .27% compared to June 30, 2009 at which time the yield was .54% and June 30, 2008 at which time the yield was 2.42%. Demand for the Authority's programs as measured by its pipeline for financial assistance continues to steadily increase as the economy struggles to gain ground.
- During the fiscal year ended June 30, 2010, the Authority's Board of Directors approved direct loan commitments totaling over \$17.7 million. Direct loans in the amount of \$15.7 million funded during the aforementioned fiscal year and commitments outstanding to various Connecticut companies on June 30, 2010 totaled \$9.7 million.
- The operative efficiency and effectiveness of the Authority continues to be improved upon. For fiscal year 2010, operating results of the Authority were \$695 thousand favorable when compared to the fiscal year ended June 30, 2009. Operating expenses were \$614 thousand less during the fiscal year ended June 30, 2010 when compared to the fiscal year ended June 30, 2009.

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

2009 Financial Highlights

- Total assets exceeded total liabilities by \$95,016,242 at June 30, 2009. Net assets totaling \$82,924,707 are unrestricted. Net assets totaling \$11,941,643 are restricted to be used principally for specific revenue or general obligation bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties. The Authority's net assets invested in capital assets, net of related debt total \$149,892.
- The Authority's operations are very sensitive to both the economy and interest rate policy. The investment base of the Authority, from which it provides funding to administer its mission to create and maintain jobs, needs to be highly liquid so as to provide readily available cash for funding. Because of this, most of the Authority's cash is invested in the State of Connecticut's short-term investment fund. On June 30, 2009 the yield currently realized from STIF is .54% compared to June 30, 2008 at which time the yield was 2.42% and June 30, 2007 at which time the yield was 5.63%. The bright side of this is that demand for the Authority's programs has steadily increased during the economic downturn and the Authority has seen an influx of applications for financial assistance.
- During the fiscal year ended June 30, 2009 the Authority's Board of Directors approved direct loan commitments totaling over \$30 million. Of this amount \$11.8 million in direct loans funded and commitments totaling over \$19 million remain outstanding for future direct funding to various Connecticut companies. This compares with the fiscal year ended June 30, 2008 during which \$7.2 million in direct loans funded while \$11.5 million in commitments were outstanding.
- The Authority has taken prudent steps across the board to reduce expenses and improve the operative efficiency and effectiveness of its organization. For fiscal year 2009 general and administrative expenses were reduced by \$250 thousand and payroll remained flat to fiscal year 2007 levels. In addition the restructuring of the XL center operations has resulted in savings averaging \$2.5 million annually when compared to the average annualized results for the final three years of the previous contract which ended June 30, 2007.

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Condensed Statements of Net Assets

The following table summarizes changes in the statements of net assets and provides a comparative analysis between the Authority's assets, liabilities and net assets for the fiscal years ended June 30, 2010, 2009 and 2008:

	Balance June 30, 2010	Balance June 30, 2009	Balance June 30, 2008	Increase (Decrease) 2010 vs. 2009	Increase (Decrease) 2009 vs. 2008
Assets:					
Current assets	\$ 37,724,326	\$ 52,182,940	\$ 65,956,557	\$ (14,458,614)	\$ (13,773,617)
Restricted assets	21,017,446	17,486,354	12,163,480	3,531,092	5,322,874
Capital assets, net	92,675	149,892	218,991	(57,217)	(69,099)
Other noncurrent assets	65,713,836	57,566,664	50,026,260	8,147,172	7,540,404
Total assets	124,548,283	127,385,850	128,365,288	(2,837,567)	(979,438)
Liabilities					
Current liabilities, excluding current portion of debt	2,792,601	3,880,060	4,113,978	(1,087,459)	(233,918)
Bonds payable	19,225,000	22,585,000	25,875,000	(3,360,000)	(3,290,000)
Other noncurrent liabilities	9,218,919	5,904,548	251,415	3,314,371	5,653,133
Total liabilities	31,236,520	32,369,608	30,240,393	(1,133,088)	2,129,215
Net Assets					
Invested in capital assets, net of related debt	92,675	149,892	218,991	(57,217)	(69,099)
Restricted	12,330,085	11,941,643	12,163,480	388,442	(221,837)
Unrestricted	80,889,003	82,924,707	85,742,424	(2,035,704)	(2,817,717)
	<u>\$ 93,311,763</u>	<u>\$ 95,016,242</u>	<u>\$ 98,124,895</u>	<u>\$ (1,704,479)</u>	<u>\$ (3,108,653)</u>

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

2010 Financial Analysis:

Total assets for the fiscal year ended June 30, 2010 decreased \$2.8 million (or 2%).

The 2% change in total assets comprised primarily of the Authority's receipt of \$3.1 million in escrow deposits offset by a scheduled pay down of bonds payable for \$3.4 million coupled with a \$1.7 million operating loss and \$800 thousand accrual reduction resulting from the settlement of facility expenditures related to the XL Center.

Total liabilities decreased \$1.1 million (or 3.5%) for the fiscal year ended June 30, 2010

This decrease was due to receipts of escrow deposits totaling \$3.1 million offset by the pay down of \$3.4 million in bonds payable and \$800 thousand accrual reduction for settlement of facility expenditures related to the XL Center.

Unrestricted current assets decreased \$14.5 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009. The following is an overview of the major changes in unrestricted current assets:

Cash & cash equivalents decreased \$15 million for the fiscal year ended June 30, 2010 due primarily to \$15.7 million of new direct loans funded during the year.

Interest and other receivables increased \$400 thousand due to larger performing loan portfolio balance which resulted from \$15.7 million in direct closings for the year.

Restricted assets increased \$3.5 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Increase due primarily to escrow deposits received during the fiscal year ending June 30, 2010 of \$3.1 million.

Capital assets decreased \$57 thousand for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Additions of capital assets in fiscal year 2010 were \$19 thousand while normal depreciation of \$76 thousand was taken on the Authority's capital assets.

CONNECTICUT DEVELOPMENT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

Other noncurrent assets increased \$8.1 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Loans increased \$8.3 million in the fiscal year ended June 30, 2010. This is due to new direct loans issued totaling \$15.7 million offset by \$6.2 million of loan pay downs and \$1.3 million in loan charge offs during the fiscal year ended June 30, 2010.

Current liabilities, excluding current portion of debt decreased \$1.1 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Accrued expenses and liabilities decreased \$1.1 million in the fiscal year ended June 30, 2010. This is attributed to the \$800 thousand accrual reduction related to the settlement of facility expenditures of the XL Center as well as a \$350 thousand reclassification against CBRA loan loss allowance of formerly classified liability item Reserve for Brownfield subsidiary.

Bonds payable decreased \$3.4 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

This was due to the normal amortization of bonds in fiscal year 2010. This reduction yielded interest expense savings of \$162 thousand.

Other non current liabilities increased \$3.3 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

This is attributable to the receipt of \$3.1 million in escrow deposits along with one sixth of the FY2008 retained payment for \$1,050,000 to be paid to AEG on July 1, 2013.

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

2009 Financial Analysis:

Total assets for the fiscal year ended June 30, 2009 decreased \$979 thousand (or 1%).

The 1% change in total assets comprised primarily of the Authority's receipt of \$5.5 million in escrow deposits offset by a scheduled pay down of bonds payable for \$3.3 million coupled with a \$2.4 million operating loss and \$700 thousand write down of program investments.

Total liabilities increased \$2.1 million (or 7%) for the fiscal year ended June 30, 2009

This increase was due to receipts of escrow deposits totaling \$5.5 million offset by the pay down of \$3.3 million in bonds payable.

Unrestricted current assets decreased \$13.8 million for the fiscal year ended June 30, 2009 in comparison to June 30, 2008. The following is an overview of the major changes in unrestricted current assets:

Cash & cash equivalents decreased \$9.4 million for the fiscal year ended June 30, 2009 due primarily to \$11.8 million of new direct loans funded during the year.

Loans decreased \$4.2 million during the fiscal year ending June 30, 2009 due to normal amortized loan principal collections of \$6 million for the year. Normal migration from long-term to current loan status classification was \$1.8 million.

Restricted assets increased \$5.3 million for the fiscal year ended June 30, 2009 in comparison to June 30, 2008.

Increase due primarily to escrow deposits received during the fiscal year ending June 30, 2009 of \$5.5 million.

Capital assets decreased \$69 thousand for the fiscal year ended June 30, 2009 in comparison to June 30, 2008.

Additions of capital assets in fiscal year 2009 were \$8 thousand while normal depreciation of \$77 thousand was taken on the Authority's capital assets.

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Other noncurrent assets increased \$7.5 million for the fiscal year ended June 30, 2009 in comparison to June 30, 2008.

Loans increased \$8 million in the fiscal year ended June 30, 2009. This is due to new direct loans issued totaling \$11.8 million. Loan pay downs for the fiscal year totaled \$6.1 million. Of this amount, approximately \$1.8 million came from the migration of loans from a long term to current loan classification.

Program investments decreased \$700 thousand primarily due to the write-down of real estate backed investments.

Due to State of Connecticut increased by \$300 thousand due to pre-funding of July payroll in June of 2009.

Current liabilities, excluding current portion of debt decreased \$234 thousand for the fiscal year ended June 30, 2009 in comparison to June 30, 2008.

This is attributed to the recognition of \$250 thousand in deferred interest income on the Goodwin College and University of Hartford CBRA receivables.

Bonds payable decreased \$3.3 million for the fiscal year ended June 30, 2009 in comparison to June 30, 2008.

This was due to the normal amortization of bonds in fiscal year 2009. This reduction yielded interest expense savings of \$164 thousand.

Other non current liabilities increased \$5.7 million for the fiscal year ended June 30, 2009 in comparison to June 30, 2008.

This is attributable to the receipt of \$5.5 million in escrow deposits along with one sixth of the FY2008 retained payment for \$1,050,000 to be paid to AEG on July 1, 2013.

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Condensed Statements of Revenues, Expenses and Changes in Net Assets

The following table summarizes the Authority's operations and Change in Net Assets for the fiscal years ended June 30, 2010, 2009 and 2008:

	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Favorable (Unfavorable) 2010 vs. 2009	Favorable (Unfavorable) 2009 vs. 2008
Operating revenue:					
XL Center	\$ 3,462,127	\$ 3,399,386	\$ 3,413,391	\$ 62,741	\$ (14,005)
Interest on notes	3,213,634	2,742,372	3,203,159	471,262	(460,787)
Investment interest	201,025	906,177	2,363,676	(705,152)	(1,457,499)
Other	1,441,136	1,189,090	1,200,902	252,046	(11,812)
Total revenue	<u>\$ 8,317,922</u>	<u>\$ 8,237,025</u>	<u>\$ 10,181,128</u>	<u>\$ 80,897</u>	<u>\$ (1,944,103)</u>
Operating Expenses					
XL Center	\$ 3,800,901	\$ 3,734,484	\$ 2,885,112	\$ (66,417)	\$ (849,372)
Interest on bonds	689,768	760,071	832,258	70,303	72,187
Payroll and fringes	3,782,150	3,734,231	3,657,116	(47,919)	(77,115)
Loss provision	850,000	1,470,000	650,000	620,000	(820,000)
General, administrative and other	909,509	948,038	1,197,826	38,529	249,788
Total expenses	<u>\$ 10,032,328</u>	<u>\$ 10,646,824</u>	<u>\$ 9,222,312</u>	<u>\$ 614,496</u>	<u>\$ (1,424,512)</u>
Operating income/(loss)	\$ (1,714,406)	\$ (2,409,799)	\$ 958,816	\$ 695,393	\$ (3,368,615)
Non-operating income/(expense)	<u>\$ 9,927</u>	<u>\$ (698,854)</u>	<u>\$ (10,389,952)</u>	<u>\$ 708,781</u>	<u>\$ 9,691,098</u>
Change in net assets	<u>\$ (1,704,479)</u>	<u>\$ (3,108,653)</u>	<u>\$ (9,431,136)</u>	<u>\$ 1,404,174</u>	<u>\$ 6,322,483</u>

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

2010 Operating Activity:

- Net XL Center operations lost \$339 thousand in the fiscal year ended June 30, 2010. This was flat to the operating loss of \$335 thousand recorded for the fiscal year ended June 30, 2009.
- Net Authority core lending and economic development activities recorded a loss of \$1.4 million in the fiscal year ended June 30, 2010. This compares to a recorded net loss of \$2.1 million recorded in the fiscal year ended June 30, 2009. This \$700 thousand gain over the previous fiscal year activity was due to the loss provision being \$620 thousand less in the fiscal period ended June 30, 2010 than in the fiscal period ended June 30, 2009.
- Operating revenues related to the Authority's core lending and economic development activities increased \$18 thousand (flat) in the fiscal year ended June 30, 2010 when compared to June 30, 2009. Increased interest income realized from a higher loan portfolio balance coupled with \$500 thousand income recorded from settlement of XL center facility expenditures were offset by decreased interest earnings on a smaller short-term investment balance.
- Operating expenses related to the Authority's core lending and economic development activities decreased \$681 thousand during the fiscal year ended June 30, 2010. Loan loss provision was \$620 thousand higher in the previous fiscal year due to specific loan exposure existent at that time. Interest savings realized from bonds refunded or paid down totaled \$70 thousand and the streamlining and cutback of general and administrative expenses resulted in additional savings of \$39 thousand when compared to the previous fiscal year.
- Loan loss reserves currently comprise 16.6% of direct loan portfolio.
- Payroll expense increased slightly by \$48 thousand (flat) for the fiscal year ended June 30, 2010. The Authority's employee's are participants in the State payroll and retirement system and as a participant is charged a fringe benefit rate which currently approximates 60% of total salary. This compares to 55% of salary charged for the fiscal year ended June 30, 2009. Without this increase in the fringe benefit rate payroll expense would have been below FY2007 levels.

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

2009 Operating Activity:

- Net XL Center operations lost \$335 thousand in the fiscal year ended June 30, 2009. This compares to an operating gain of \$528 thousand recorded for the fiscal year ended June 30, 2008. This was due to the payment of the first year CDA contribution of \$1,050,000 to AEG, offset by interest savings on bonds redeemed of \$91 thousand and an \$85 thousand insurance settlement received in fiscal year 2009.
- Operating revenues related to the Authority's core lending and economic development activities decreased \$1.9 million in the fiscal year ended June 30, 2009 when compared to June 30, 2008. This was due to a decrease in the interest yield on the average portfolio balance of 100 basis points, as well as a two hundred fifty basis point decrease in the yield on the Authority's average short-term investment balance when compared to the same period ended June 30, 2008.
- Operating expenses related to the Authority's core lending and economic development activities increased \$575 thousand during the fiscal year ended June 30, 2009. Loan loss provision was increased \$820 thousand from the previous year to reflect additional loan funding activity, as well as to strengthen existing portfolio against specific loan exposure. Interest savings realized from bonds refunded or paid down totaled \$72 thousand and the streamlining and cutback of general and administrative expenses resulted in additional savings of \$250 thousand when compared to the previous fiscal year.
- Loan loss reserves currently comprise 19.3% of direct loan portfolio.
- Payroll expense increased slightly by \$77 thousand (flat) for the fiscal year ended June 30, 2009. The Authority's employees are part of the State payroll and retirement system. The Authority is charged a fringe benefit rate which approximates 55% of total salary.

CONNECTICUT DEVELOPMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flows:

The Authority's cash and cash equivalents decreased \$11.4 million during the fiscal year ending June 30, 2010. During the fiscal period ending June 30, 2010 the Authority loaned out \$15.7 million in direct loans and collected \$6.2 million in principal payments. In addition the Authority made principal payments on bonds totaling \$3.4 million and received \$3.1 million in escrow deposits.

Special Items:

Special items are defined as significant transactions or other events within the control of management that are unusual in nature and infrequent in occurrence. The Authority had no transactions during the fiscal years ended June 30, 2010 or June 30, 2009 that would be classified as a special item.

Loan Volume:

The following table summarizes the Authority's loan volume for the fiscal years ended June 30, 2010, 2009, and 2008:

	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Year Ended</u> <u>June 30, 2009</u>	<u>Year Ended</u> <u>June 30, 2008</u>	<u>Increase/</u> <u>(Decrease)</u> <u>2010 vs. 2009</u>	<u>Increase/</u> <u>(Decrease)</u> <u>2009 vs. 2008</u>
Fund:					
Growth Fund	\$ 3,602,953	\$ 3,438,029	\$ 1,395,973	\$ 164,924	\$ 2,042,056
Works Fund	8,288,920	8,304,515	5,422,998	(15,595)	2,881,517
CBRA TIF	3,800,000	-	5,500,000	3,800,000	(5,500,000)

Conclusion:

The financial report is designed to provide Connecticut citizens and taxpayers with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about this report or need additional financial information, contact the Connecticut Development Authority at 999 West Street, Rocky Hill, CT 06067 or visit our website www.ctcda.com

CONNECTICUT DEVELOPMENT AUTHORITY
STATEMENTS OF NET ASSETS

	June 30,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$ 31,300,942	\$ 46,267,884
Loans	5,373,105	5,296,150
Interest and other receivables	545,599	147,876
Prepaid and deferred expenses	504,680	471,030
Total current assets	<u>37,724,326</u>	<u>52,182,940</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	18,009,351	14,478,259
Marketable securities	3,008,095	3,008,095
Total restricted assets	<u>21,017,446</u>	<u>17,486,354</u>
Loans, less allowances of \$11,290,743 and \$11,532,415 respectively	51,163,579	42,888,731
Program investments	1,228,011	1,218,998
Furniture and equipment at cost less accumulated depreciation of \$38,483,411 and \$38,406,859, respectively	92,675	149,892
Prepaid and deferred expenses	302,916	351,154
Due from State of Connecticut	<u>13,019,330</u>	<u>13,107,781</u>
Total noncurrent assets	<u>86,823,957</u>	<u>75,202,910</u>
Total assets	<u>\$ 124,548,283</u>	<u>\$ 127,385,850</u>

See notes to financial statements.

CONNECTICUT DEVELOPMENT AUTHORITY
STATEMENTS OF NET ASSETS (Cont'd.)

	June 30,	
	2010	2009
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Current portion of bonds payable	\$ 3,425,000	\$ 3,360,000
Accrued expenses and liabilities	1,516,321	2,666,659
Deferred revenue	404,025	436,502
Reserve for guarantee losses	872,255	776,899
Total current liabilities	<u>6,217,601</u>	<u>7,240,060</u>
Noncurrent liabilities:		
Escrow deposits	8,687,361	5,544,711
Bonds payable, net of current portion	15,800,000	19,225,000
Deferred revenue	531,558	359,837
Total noncurrent liabilities	<u>25,018,919</u>	<u>25,129,548</u>
Total liabilities	<u>31,236,520</u>	<u>32,369,608</u>
NET ASSETS		
Invested in capital assets, net of related debt	92,675	149,892
Restricted	12,330,085	11,941,643
Unrestricted	80,889,003	82,924,707
Total net assets	<u>93,311,763</u>	<u>95,016,242</u>
Total liabilities and net assets	<u>\$ 124,548,283</u>	<u>\$ 127,385,850</u>

CONNECTICUT DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS

	Years ended June 30,	
	2010	2009
OPERATING REVENUES		
XL Center	\$ 3,462,127	\$ 3,399,386
Lending & Economic Development	4,855,795	4,837,639
Total revenues	<u>8,317,922</u>	<u>8,237,025</u>
OPERATING EXPENSES		
XL Center	3,800,901	3,734,484
Lending & Economic Development	6,231,427	6,912,340
Total operating expenses	<u>10,032,328</u>	<u>10,646,824</u>
Operating (loss) income	<u>(1,714,406)</u>	<u>(2,409,799)</u>
NON-OPERATING ITEMS		
Gain (loss) on investments	<u>9,927</u>	<u>(698,854)</u>
CHANGE IN NET ASSETS	(1,704,479)	(3,108,653)
NET ASSETS, Beginning of year	<u>95,016,242</u>	<u>98,124,895</u>
NET ASSETS, End of year	<u><u>\$ 93,311,763</u></u>	<u><u>\$ 95,016,242</u></u>

CONNECTICUT DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
XL Center revenues	\$ 3,305,593	\$ 3,230,815
Program fees collected	812,238	1,008,137
Guarantee/insurance fees collected	89,392	81,081
Interest from loans	2,751,518	2,574,032
Other fees collected	41,319	100,133
XL Center expenses	(3,305,593)	(3,191,882)
Payroll and fringe benefits paid	(3,713,364)	(4,051,630)
General and administrative expenses paid	(1,015,126)	(765,681)
Program and service fees paid	(9,287)	(15,709)
Loan principal collected	6,233,331	6,117,199
DECD principal collected	-	375,000
Loans funded	(15,691,873)	(11,742,544)
Deposits	-	8,497
Cash from recovery of principal	46,991	98,119
Guarantees paid	(50,435)	(83,659)
Net cash used by operating activities	(10,505,296)	(6,258,092)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase in escrow deposits	3,142,651	5,544,711
Cash paid for Brownsfield funding	(4,313)	(2,082)
Principal payments on bonds	(2,856,750)	(2,786,750)
Interest payments on bonds	(954,214)	(1,083,162)
Net cash provided (used) in noncapital financing activities	(672,626)	1,672,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	(503,250)	(503,250)
Interest payments on bonds	(118,264)	(148,459)
Net cash used in capital and related financing activities	(621,514)	(651,709)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of U.S. Treasuries	-	22,500
Proceeds from sale of program investments	915	13,400
Cash from interest on investments	382,005	1,104,027
Purchase of furniture and equipment	(19,334)	(7,659)
Net cash provided by investing activities	363,586	1,132,268
Net (decrease) increase in cash and cash equivalents	(11,435,850)	(4,104,816)
CASH AND CASH EQUIVALENTS, Beginning of year	60,746,143	64,850,959
CASH AND CASH EQUIVALENTS, End of year	\$ 49,310,293	\$ 60,746,143

See notes to financial statements.

CONNECTICUT DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS - (Cont'd.)

	<u>Years ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO		
NET CASH USED BY OPERATING ACTIVITIES:		
Operating (loss) income	\$ (1,714,406)	\$ (2,409,799)
Adjustments to reconcile operating income to		
net cash used by operating activities:		
Interest expense on bonds and notes payable	1,036,705	1,198,508
Interest income on investments and		
cash and cash equivalents	(380,909)	(1,096,239)
Depreciation	76,551	76,758
Amortization of deferred bond issue expense	46,614	44,793
Amortization of bond issue premium	(3,279)	(3,279)
Provision for loan and insurance losses	850,000	1,470,000
Recoveries of loan principal	46,991	98,119
Guarantees paid	(50,435)	(83,660)
Change in assets and liabilities:		
Loans receivable	(9,458,543)	(5,250,345)
Interest and other receivables	(398,817)	87,164
Due from State of Connecticut	88,451	(307,393)
Accrued expenses	(579,715)	179,314
Other assets	(32,025)	(44,408)
Unearned insurance premium	4,192	4,612
Deferred revenue	(36,671)	(222,237)
Net cash used by operating activities	<u>\$ (10,505,296)</u>	<u>\$ (6,258,092)</u>

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

Entity and Services — The Connecticut Development Authority (Authority) was established under Title 32, Chapter 579 of the General Statutes of Connecticut, as amended (Statute), and is a public instrumentality and political subdivision of the State of Connecticut (State). For purposes of financial reporting, the Authority is a component unit of the State of Connecticut and the Authority's financial statements are included in the State's Comprehensive Annual Financial Report. The Authority was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond, Umbrella and Insurance Programs as well as the Growth, Connecticut Works, Connecticut Capital Access, Business Environmental Clean-up and Environmental Prevention Funds.

The Funds of the Authority are proprietary fund types. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The accounting principles generally accepted in the United States of America (GAAP) used for proprietary funds are generally those applicable to similar businesses in the private sector. GAAP hierarchy applicable to state governmental entities consist of Governmental Accounting Standards Board ("GASB") pronouncements. In accordance with Paragraph No. 6 of Government Accounting Standards Board ("GASB") Statement No. 20, the Authority has elected to apply all GASB pronouncements, as well as all Financial Accounting Standards Board Statements, Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins that do not conflict with GASB pronouncements..

Self-Sustaining Bond Program — Under the Self-Sustaining Bond Program, the Authority accommodates the financing for specific industrial and certain recreational and utility projects through the issuance of special obligation industrial revenue bonds. These bonds are available for financing such projects as the acquisition of land or the construction of buildings, and purchase and installation of machinery, equipment and pollution control facilities. The Authority has issued \$1,728,312,141 of special obligation industrial revenue bonds since July 1, 1978. Total bonds outstanding at June 30, 2010 and 2009 were \$1,088,615,000 and \$979,821,965, respectively.

The bonds are payable solely from payments received from participating companies (or from proceeds of sale of the specific projects in the event of default) and do not otherwise constitute a debt or liability of the Authority or the State or any municipality thereof. Accordingly, the balances and activity of the Self-Sustaining Bond Program are not included in the Authority's financial statements.

Titles to most projects financed under this program prior to 1978 (and, in some cases, since then) are generally held by the Authority, and projects are leased to participating companies at annual rentals sufficient to amortize bond principal and interest over the life of the applicable bonds. The participating companies pay directly any other costs of the projects. Title to a particular project is transferred to the participating company at a nominal amount when the applicable bonds are paid in full. In some cases prior to 1978 and for most projects financed since then, the Authority does not hold title to the projects, and collateral loan agreements are obtained from

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

participating companies under which they pay amounts sufficient to amortize the bond principal and interest over the life of the bonds and pay directly any other costs of the project.

Umbrella Program — Under the Umbrella Program, the Authority was authorized to issue bonds to provide financial assistance for the acquisition of industrial land, buildings, new machinery and equipment, and pollution control facilities by qualified applicants, generally for projects smaller than those assigned under the Self-Sustaining Bond Program. The Authority provided funds for these loans through bond anticipation notes until long-term bonds were issued. The Authority established an overall loan limit of 20 years and \$800,000 for each industrial project, of which not more than \$500,000 was used for machinery and equipment (term not to exceed ten years) and not more than \$800,000 was used for pollution control facilities (term not to exceed ten years). Borrowers were charged an interest rate of approximately one-half of one percent above the Authority's cost of money as a fee for administering the program. The loans in this program were insured pursuant to the Insurance Program (see below). The last Umbrella loan outstanding was fully paid down in 2008.

The Bond Funds of the Umbrella Program included the following individual funds: Bond Proceeds Fund, Recovery of Principal Fund, Pledged Receipts Fund, Revenue Fund, Debt Service Funds, Special Capital Reserve Fund, Surplus Reserve Fund, and Depository Trust Fund. All assets of the various Bond Funds were pledged under the terms of the Bond Resolution to provide for the payment of principal and interest on the Bonds until such time as it is determined that there are "surplus funds" as defined in the Bond Resolution.

Insurance Program — The State has authorized the issuance of up to \$25,000,000 in bonds allocated to the Insurance Program. Of this amount, \$5,500,000 has been distributed to the Insurance Program and was recorded as Contributed Capital. Under the Insurance Program, the Authority may insure loans made by other lending institutions to companies for acquisition of industrial land, buildings, machinery, and equipment located within the State. In addition, all of the Authority's Umbrella Program loans were insured under this program.

At June 30, 2010 and 2009, loans totaling \$4,643,749 and \$5,036,246, respectively, were insured under the program by other lending institutions.

The Statute provides that the insurance is payable from the net assets of the Insurance Program. If such net assets are not sufficient, the faith and credit of the State are pledged to absorb any shortfall. The Authority has established maximum limits for individual loans on real property of \$25,000,000 and 25 years, and for individual loans on machinery and equipment of \$10,000,000 and ten years.

Loans receivable within the program arise from sales of foreclosed properties. Other real estate owned consists of properties acquired through foreclosure proceedings after transfer from the Umbrella Fund. Management records other real estate owned at the lower of cost or estimated fair value, less selling cost.

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

Growth Fund — Under the Growth Fund, the Authority is authorized to issue individual loans up to a maximum of \$4,000,000. This program provides financial assistance for any purpose the Authority determines will materially contribute to the economic base of the State by creating or retaining jobs, promoting the export of products and services, encouraging innovation in products or services, or supporting existing activities that are important to the State's economy. Financing may be used to purchase real property, machinery and equipment, or for working capital. The Authority has established an overall maximum loan term of 20 years and a maximum 90 percent loan-to-value ratio for real property loans. The maximum loan terms for machinery and equipment are ten years and 80 percent financing and a seven-year term for working capital loans.

Water facilities include municipally owned water companies and investor-owned water companies that service between 25 and 10,000 customers and municipally owned and privately owned dams deemed a community benefit by the Commissioner of Environmental Protection. The loans are generally limited to \$250,000 for terms not to exceed 20 years for real property and ten years for machinery and equipment.

Small contractors and minority business enterprises are eligible for loans up to \$250,000 for terms not to exceed one year to cover the costs of labor and material related to specific contracts.

Connecticut Works Fund and Connecticut Works Guarantee Fund — The Connecticut Works Fund includes direct loans and a loan guarantee program with participating lenders to encourage them to provide more credit on more favorable terms. Eligible projects include most manufacturing related projects and any project that materially supports the economic base of the State through jobs, defense diversification, exporting and the development of innovative products or services. Loan types and amounts include revolving credit lines, fixed asset loans and refinancing in some cases.

The Connecticut Works Guarantee Fund provides commitments to guarantee loans made by participating financial institutions. Eligible projects are determined by the due diligence principles set forth in the loan presentation guidelines and underwriting considerations for the loan guarantee program of the Connecticut Works Fund.

The State has authorized the issuance of up to \$95,000,000 in bonds allocated to Connecticut Works Fund (Fund A). Of this amount, \$82,485,000 has been distributed to Fund A and \$12,515,000 remains available for distribution. In the event direct loans are uncollectible, the Authority can put such loans to the State for reimbursement until the total bonds allocated (\$95,000,000) have been utilized. In addition, any losses pursuant to the Fund A guarantee program can be put to the State (up to amounts remaining in the \$95,000,000 bond allocation).

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

The State has also authorized the issuance of up to \$30,000,000 in bonds allocated to Connecticut Works Guarantee Fund (Fund B). Of this amount, \$18,900,000 has been distributed to Fund B, and \$11,100,000 remains available for distribution. Pursuant to this guarantee program, any losses on guarantees made by the Authority are reimbursable by the State (up to amounts remaining in the \$30,000,000 bond allocation).

Connecticut Capital Access Fund — The Connecticut Capital Access Fund provides portfolio insurance to participating financial institutions to assist them in making loans that are somewhat riskier than conventional loans. This assistance is funded by the two branches of the Connecticut Capital Access Fund, the “Urbank Program” and the “Entrepreneurial Loan Program.” Eligible projects are determined usually by the financial institution making the loan as long as the projects meet the requirements specified in the participation agreements.

The State has authorized the issuance of up to \$5,000,000 in bonds allocated to the Connecticut Capital Access Fund. Of this amount, \$2,000,000 has been distributed and \$3,000,000 remains available for distribution. In addition, any insurance losses associated with this fund are reimbursable by the State up to amounts remaining in the \$5,000,000 bond allocation.

Business Environmental Clean-Up Revolving Loan Fund — The Business Environmental Clean-up Revolving Loan Fund provides direct fixed-rate loans to business property owners unable to obtain clean-up financing from conventional sources. There is no additional funding available for this program.

The Environmental Assistance Revolving Loan Fund — The Environmental Assistance Revolving Loan Fund provides direct loans to businesses unable to obtain financing from conventional sources. Assistance relates to the prevention of future environmental hazards. There are no active loans remaining in this program. It is anticipated that no future funding will be available for this program.

Operating Fund Revenues and Operating Expenses — All payroll and related expenses of administering the programs of the Authority are recorded as expenses of the Operating Fund. Application and acceptance fees of the Self-Sustaining Bond Programs are recorded as income of the Operating fund when such fees are received. Management has also elected to assess the Insurance Program, Growth, Connecticut Works, and Connecticut Works Guarantee Funds for any net loss in the Operating Fund. The assessment is to be made on a pro rata basis related to the number of loans serviced. This assessment is recorded as a reduction in expense in the Operating Fund and an increase in expense to the Insurance Program, Growth, Connecticut Works, and Connecticut Works Guarantee Funds. The State of Connecticut disburses all payroll expenses on behalf of the Authority. The Authority estimates payroll expenses and pays the State in advance. All advance payments are recorded as Due from State of Connecticut until actual payroll costs are incurred.

The Operating Fund also reports all accounting for the XL Center transactions. The XL Center is a public use facility and houses sports and other entertainment programs for the general public.

Connecticut Brownfields Redevelopment Authority (CBRA) — A quasi-public agency created by the Connecticut Development Authority in accordance with Section 32-11a, subsection (1), of

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

the General Statutes. CBRA is a wholly owned subsidiary of the Authority created in May 1999 to carry out the remediation, development, and financing of contaminated property within the State. The CBRA subsidiary provides loans, grants or guarantees from the Authority's assets and the proceeds of its bonds, notes and other obligations. Any net gain from the subsidiary will flow back to the parent (Authority) as an addition or in the case of a loss, a reduction to the earnings of the Authority.

Revenue Recognition — Interest income on loans is accrued and credited to operations based upon the principal amount outstanding. The accrual of interest income is generally discontinued when a loan becomes 61 days past due or earlier when there is sufficient question as to the collectibility of the interest. The Authority records past due interest on a cash basis as the money is received. Interest income on past due loans is not accrued until adequate repayment history is again established (typically after three months). Loan acceptance (origination) fees approximate direct loan origination costs and, accordingly, are recognized as income at loan origination. Interest income from investments is recorded as earned. Insurance Program premiums are recorded as income proportionately over the life of the contract (interest method).

Marketable Securities — Securities for which management has the positive intent and ability to hold until maturity are classified as held to maturity and are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts into interest income. Securities that have been identified as assets for which there is not a positive intent to hold to maturity are classified as available for sale and are carried at fair value. The Authority does not acquire securities for purposes of engaging in trading activities.

Realized gains and losses on sales of securities are computed on the specific identification basis. Securities that have experienced an other than temporary impairment are written down to fair value, establishing a new cost basis with the amount of the write-down included in expense as a realized loss.

Program Investments — Direct equity and debt financing which is extended to various companies to further the Authority's mission to create jobs and expand the economic base of Connecticut is classified separately from marketable security investments and is considered an extension of the Authority's lending program. These investments are usually reserved for large projects where conventional lending is not an option due to large up front investments and returns which occur in future periods. Debt financing is held to maturity and recorded at amortized cost. The Authority reserves for estimated loan losses. Program investments in equity securities do not have readily determinable fair values and are initially recorded at cost. If it is determined that such investments have experienced an other than temporary impairment are written down to fair value, establishing a new cost basis. Currently all Program Investments are in equity securities.

Loans and Allowance for Loan Losses — Loans are stated at unpaid principal balances less an allowance for loan losses. The allowance for loan losses is maintained at a level believed adequate by management to absorb losses existing in the loan portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, historical loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, reviews of individual delinquent loans, and other relevant factors. The allowance is increased by charges against income and decreased by charge-offs (net of recoveries) when management determines that the collectability of the principal is unlikely.

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

Certain impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Fixed Assets — Fixed assets are carried at cost less accumulated depreciation. The Authority depreciates its furniture and equipment over two to twenty years using the straight-line method.

Amortization of Deferred Bond Issue Costs — Deferred bond issue costs are amortized over the life of the bond issue in proportion to the outstanding balance of the related bond issue.

Net Assets — Net assets of the Authority are presented in the following three categories:

Net assets invested in capital assets, net of related debt — Capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to those particular assets.

Restricted net assets — Assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets — Assets which do not meet the definition of the two preceding categories.

Capital Contributions — In accordance with the Authority's legislation, additional capital is to be contributed from the State of Connecticut to the Insurance Program, Growth, Connecticut Works, Connecticut Works Guarantee, Connecticut Capital Access, Business Environmental Clean-up, and Environmental Assistance Funds on an "as-needed" basis to provide additional funds for financial assistance to qualified borrowers. Such contributions, when received, are reported as non-operating income.

Restricted Cash — Restricted cash includes all cash that relates to specific revenue or General Obligation Bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties.

Statement of Cash Flows — The Authority considers all investments in the State of Connecticut Short-Term Investment Fund to be cash equivalents.

Fair Values of Financial Instruments — The Authority defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

As further described below, the authority uses a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority to Level 1 assets.
- Level 2: Observable inputs that are based on data not quoted in active markets, but corroborated by market data.
- Level 3: Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Corporation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Financial assets carried at fair value as of June 30, 2010 and 2009, respectively, are classified in the following table in one of the three categories described above:

Investment Assets at Fair Value as of June 30, 2010				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 49,310,293	\$ -	\$ -	\$ 49,310,293
Marketable securities	-	3,008,095	-	3,008,095
Program investments	-	-	1,228,011	1,228,011
	<u>\$ 49,310,293</u>	<u>\$3,008,095</u>	<u>\$ 1,228,011</u>	<u>\$ 53,546,399</u>

CONNECTICUT DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

Investment Assets at Fair Value as of June 30, 2009

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 60,746,143	\$ -	\$ -	\$ 60,746,143
Marketable securities	-	3,008,095	-	3,008,095
Program investments	-	-	1,218,998	1,218,998
	<u>\$ 60,746,143</u>	<u>\$ 3,008,095</u>	<u>\$ 1,218,998</u>	<u>\$ 64,973,236</u>

All debt instruments are held to maturity and carried at amortized cost.

All program investments in equity securities are Level 3 investments and have no readily-available market value.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements related to the impairment of such equity securities recognized in the accompanying statements of net assets available using significant unobservable (Level 3) inputs:

	2010	2009
Balance, beginning of year	\$1,218,998	\$1,931,252
Purchases, issuances and settlements, net	<u>9,013</u>	<u>(712,254)</u>
Balance, end of year	<u>\$1,228,011</u>	<u>\$1,218,998</u>

The following methods and assumptions were used by the Authority in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents — The carrying amounts reported on the balance sheet for cash and cash equivalents approximate those assets' fair values.

Marketable securities — Fair values for marketable securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.):

Program investments — Fair values for program investments in the absence of readily determinable market values are based on pertinent information including, but not limited to, recent sales prices of the issuer's securities, sales growth, cash flow analysis, financial performance, progress towards business goals and other operating data. The Authority applies procedures in arriving at the estimate of the value of the securities that it believes are reasonable and accurate.

Loans — The fair values for performing fixed-rate loans are estimated using actual returns on the portfolio and interest rates currently being offered by the Authority for loans with similar terms to borrowers of similar credit quality. Variable rate loans with repricing terms of one year or less are deemed to have a carrying value approximating fair value.

The carrying amount of accrued interest receivable approximates its fair value.

Bonds Payable — The fair values of the Authority's bonds are estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements.

Off-Balance-Sheet Instruments — Fair values for the Authority's off-balance-sheet instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing (guarantees, loan commitments).

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, particularly in determining the adequacy of the allowance for loan losses, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification — Certain prior year amounts have been reclassified to conform to the presentation for the current year.

NOTE 2 – CASH AND MARKETABLE SECURITIES

Connecticut statutes authorize the Authority to invest in obligations of the United States, including its instrumentalities and agencies, and the State Treasurer's short-term investment fund (STIF). The STIF is available for use by the State's funds and agencies, public authorities and municipalities. State statutes authorized these pooled investment funds to be invested in United States Government and agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, banker acceptances, student loans, and repurchase agreements.

The Authority also extends equity and debt financing to various companies to further the Authority's mission to create jobs and expand the economic base of Connecticut. This is an extension of the Authority's lending function and accordingly is disclosed with loans as program investments. Please see Note 3 – Loans and Program Investments.

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CASH AND MARKETABLE SECURITIES (Cont'd.):

Several of the Authority's funds separately hold cash and investments.

Deposits - At June 30, 2010 and 2009, the carrying amounts of the Authority's deposits (including checking accounts, certificates of deposit and escrow accounts) were \$11,929,287 and \$9,282,193 respectively, and the bank balances were \$12,023,002 and \$9,603,094, respectively.

All cash maintained by the Connecticut Capital Access Fund is restricted until the related obligations are paid in full, and all cash that relates to a specific revenue or General Obligation Bond is restricted until the related obligation is paid in full (Note 1).

Cash Equivalents – For both June 30, 2010 and 2009 cash equivalents were all in STIF.

Custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's policy is to deposit any funds in obligations issued or guaranteed by the United States of America or the State of Connecticut and in other obligations which are legal investments for savings banks in Connecticut.

As of June 30, 2010 and 2009, respectively \$931,265 and \$1,583,341 of the Authority's bank balance was uninsured and uncollateralized and therefore exposed to custodial credit risk.

A reconciliation of the Authority's cash and cash equivalents as of June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Cash	\$ 11,929,287	\$ 9,282,193
Cash equivalents	<u>37,381,006</u>	<u>51,463,950</u>
	<u>\$ 49,310,293</u>	<u>\$ 60,746,143</u>

Marketable Securities - As of June 30, 2010 and 2009, the Authority held one Guaranteed Investment Contract for \$3,008,395, having a maturity date of November 13, 2013 bearing interest at 5.85%. Set to mature within four years and five years respectively as of June 30, 2010 and 2009, this marketable security is a restricted asset required as special capital reserve under the 1993A General Obligation bond indenture.

Interest rate risk - The Authority's investment policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures and with applicable Connecticut General Statutes. Whenever possible, restricted investments are to be held to maturity and be invested in an appropriate manner as to ensure the availability for specified payment dates and other intended purposes as set forth in the relevant trust indentures and agreements, and to ensure a rate of return at least equal to the restricted bond yield, all with minimal risk to capital.

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CASH AND MARKETABLE SECURITIES (Cont'd.):

Credit risk - Pursuant to the General Statutes of the State of Connecticut, the Authority may only invest funds in obligations issued or guaranteed by the United States of America or the State of Connecticut, including its instrumentalities and agencies, and the State Treasurer's short-term investment fund (STIF). The STIF is available for use by the State's funds and agencies, public authorities and municipalities. State statutes authorized these pooled investment funds to be invested in United States Government and agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, banker acceptances, student loans, and repurchase agreements.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk.

Concentrations of credit risk - For restricted and unrestricted investments, the Authority places no limits on the amount of investment in any one issuer. The Authority does not have a policy on credit risk concentration.

NOTE 3 - LOANS AND PROGRAM INVESTMENTS:

The Authority extends commercial loans to customers located within Connecticut. Loans are collateralized by assets acquired with the proceeds of the related loans. These receivables have original terms of one to twenty-five years and bear interest as follows:

	Interest Rates (Percentages)
Growth Fund	3.0% - 12.0%
Connecticut Works Fund ("A")	3.5% - 7.5%
Operating Fund	5.04%
CBRA	5.5% - 6.0%

The carrying value and fair value of loans is as follows:

	June 30, 2010		June 30, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Performing loans	\$57,121,636	\$98,542,123	\$ 50,226,857	\$ 83,795,231
Nonperforming loans	<u>10,705,791</u>	<u>5,352,896</u>	<u>9,490,439</u>	<u>4,745,220</u>
	<u>\$ 67,827,427</u>	<u>\$103,895,019</u>	<u>\$ 59,717,296</u>	<u>\$ 88,540,451</u>
Total current portion of loans	\$ 5,373,105		\$ 5,296,150	
Total non-current portion of loans	<u>62,454,322</u>		<u>54,421,146</u>	
Total loans	<u>\$67,827,427</u>		<u>\$ 59,717,296</u>	

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – Loans and Program Investments (Cont'd.):

Nonperforming loans include loans that are over 61 days past due at June 30, 2010 and 2009.

The Authority also extends equity and debt financing to companies to further the Authority's mission to create jobs and expand the economic base of Connecticut. These equity or debt positions are usually reserved for larger projects such as the hotel at Adriaen's Landing and the Northland Project known as Hartford 21. Conventional lending typically is not an option for such larger projects due to the nature of such financing which requires large up front investments with the returns occurring in the out years.

The Authority's Program investments cost and fair value is shown below:

<u>June 30, 2010</u>		<u>June 30, 2009</u>	
<u>Original</u>	<u>Fair</u>	<u>Original</u>	<u>Fair</u>
<u>Cost</u>	<u>Value</u>	<u>Cost</u>	<u>Value</u>
<u>\$ 4,338,913</u>	<u>\$ 1,228,011</u>	<u>\$ 4,436,921</u>	<u>\$ 1,218,998</u>

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – ALLOWANCE FOR LOAN LOSSES:

The allowance for loan losses has been provided through charges against operations based upon management's evaluation of the loan portfolio for each fund and is maintained at a level believed adequate to absorb potential losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly in Connecticut.

Changes in the allowance for possible loan and guarantee losses by individual fund during the years ended were as follows:

	June 30, 2010									
	Loans				Guarantees					
	CBRA Subsidiary/ Insurance Fund	Growth Fund	Connecticut Works Fund (A)	Direct Loan Totals	Connecticut Works Fund (A) Guarantees	Connecticut Works Fund (B) Guarantees	Connecticut Capital Access Fund	Guarantee Totals	Total Loans and Guarantees	
Beginning balance	\$ 151,087	\$ 3,275,891	\$ 8,105,437	\$ 11,532,415	\$ 58,000	\$ -	\$ 718,899	\$ 776,899	\$ 12,309,314	
Other	355,540	-	-	355,540	95,791	(95,791)	-	-	355,540	
Provision	-	350,000	400,000	750,000	50,000	50,000	-	100,000	850,000	
Charge-offs	-	(1,348,412)	-	(1,348,412)	-	-	-	-	(1,348,412)	
Guarantee fees	-	-	-	-	-	-	(50,435)	(50,435)	(50,435)	
Recoveries	-	1,200	-	1,200	-	45,791	-	45,791	46,991	
Ending balance	\$ 506,627	\$ 2,278,679	\$ 8,505,437	\$ 11,290,743	\$ 203,791	\$ -	\$ 668,464	\$ 872,255	\$ 12,162,998	
Loan balances	\$ 14,927,379	\$ 12,875,243	\$ 40,024,805	\$ 67,827,427	\$ 2,795,428	\$ -	\$ 3,284,368	\$ 6,079,796	\$ 73,907,223	
Allowance balance as a percent of loans	3.4%	17.7%	21.3%	16.6%	7.3%	N/A	20.4%	14.3%	16.5%	

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

	Loans				Guarantees				Total Loans and Guarantees
	CBRA Subsidiary/ Insurance Fund	Growth Fund	Connecticut Works Fund (A)	Direct Loan Totals	Connecticut Works Fund (A) Guarantees	Connecticut Works Fund (B) Guarantees	Connecticut Capital Access Fund	Guarantee Totals	
Beginning balance	\$ 174,801	\$ 2,241,116	\$ 7,591,137	\$ 10,007,054	\$ 175,610	\$ -	\$ 650,000	\$ 825,610	\$ 10,832,664
Other	(30,660)	33,314	110,109	112,763	(57,949)	(54,814)	-	(112,763)	-
Provision	-	995,000	400,000	1,395,000	-	-	75,000	75,000	1,470,000
Charge-offs	-	-	(7,809)	(7,809)	-	-	-	-	(7,809)
Guarantee fees	-	-	-	-	(59,661)	-	(23,999)	(83,660)	(83,660)
Recoveries	6,946	6,461	12,000	25,407	-	54,814	17,898	72,712	98,119
Ending balance	<u>\$ 151,087</u>	<u>\$ 3,275,891</u>	<u>\$ 8,105,437</u>	<u>\$ 11,532,415</u>	<u>\$ 58,000</u>	<u>\$ -</u>	<u>\$ 718,899</u>	<u>\$ 776,899</u>	<u>\$ 12,309,314</u>
Loan balances	<u>\$ 11,839,696</u>	<u>\$ 13,532,490</u>	<u>\$ 34,345,110</u>	<u>\$ 59,717,296</u>	<u>\$ 687,322</u>	<u>\$ -</u>	<u>\$ 3,753,868</u>	<u>\$ 4,441,190</u>	<u>\$ 64,158,486</u>
Allowance balance as a percent of loans	1.3%	24.2%	23.6%	19.3%	8.4%	N/A	19.2%	17.5%	19.2%

At June 30, 2010 and 2009, the Authority had a recorded balance in impaired loans of \$17,343,099 and \$18,234,882, respectively, in the CBRA Subsidiary, Insurance Program, Growth Fund and Connecticut Works Fund ("A"), collectively. A loan is impaired when, based on current circumstances and events, a creditor expects to be unable to collect all amounts contractually due in accordance with the terms of the loan agreement.

CONNECTICUT DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

All impaired loans have a specific allowance for possible loan losses included in the overall allowance for loan losses totaling \$9,256,755 and \$10,339,862 at June 30, 2010 and 2009, respectively.

The average recorded investment in impaired loans for the year ended June 30, 2010 was \$17,788,991, and income recorded on loans identified as being impaired totaled \$480,645, of which \$419,613 was recorded as revenue when received.

The average recorded investment in impaired loans for the year ended June 30, 2009 was \$17,235,381, and income recorded on loans identified as being impaired totaled \$596,393, of which \$641,308 was recorded as revenue when received.

NOTE 5 - BONDS PAYABLE

The final bond serial maturities for principal and interest of the Umbrella Program Bond Fund was made on November 15, 2007.

The bonds of the General Operating Fund bear interest at 4.10 to 5.25 percent. The principal and interest payable as of June 30, 2010 are as follows:

<u>Year ending June 30,</u>	<u>Principal General Obligation Bonds</u>	<u>Interest General Obligation Bonds</u>
2011	3,425,000	856,287
2012	3,505,000	692,645
2013	3,590,000	520,730
2014	3,685,000	344,396
2015 - 2019	4,425,000	560,205
2020	595,000	15,619
	<u>\$19,225,000</u>	<u>\$2,989,882</u>

CONNECTICUT DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - BONDS PAYABLE (Cont'd.):

Outstanding principal of the General Operating Fund's General Obligation Bonds is as follows:

	<u>Original Amount</u>	<u>2010</u>	<u>2009</u>
1993 Series A, 3.5 - 6.0 percent, \$30,560,000 due serially from November 15, 1994 through November 15, 2013. Callable after November 15, 2009, at par.	\$ 30,560,000	\$ 6,100,000	\$ 7,625,000
2004 Series B, 2.37 - 5.25 percent, \$6,725,000 with \$3,965,000 in aggregate principal amount of serial bonds maturing on October 15 in the years 2005 through 2014, both inclusive; \$2,760,000 in aggregate principal amount of term bonds maturing on October 15, 2019. Callable at par under special circumstances.	6,725,000	4,940,000	5,325,000
2004 Series C, 2.35 - 4.92 percent, \$15,005,000 due serially from August 15, 2005 through August 15, 2014. Callable at par under special circumstances.	<u>15,005,000</u>	<u>8,185,000</u>	<u>9,635,000</u>
	<u>\$ 52,290,000</u>	<u>\$ 19,225,000</u>	<u>\$ 22,585,000</u>
Fair value - all issues		<u>\$ 31,513,300</u>	<u>\$ 31,434,411</u>

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - XL CENTER OPERATIONS:

On September 1, 1993, the Authority entered into a series of agreements centering around the Authority's lease of the XL Center from the City of Hartford, Connecticut (City). The principal agreements are summarized as follows:

- The lease agreement originally called for quarterly lease payments of \$400,000 with 4 percent increases compounded annually; the first quarter's and a one-time payment of \$3,000,000 at the lease inception (total of \$3,400,000) were paid to the City on September 1, 1993. The lease expires September 1, 2013.
- On March 21, 2007 the Board of Directors of CDA voted to award the contract relating to the management and operation of the XL Center to Northland/AEG. The scheduled Term of the sublease and operating agreement began on July 1, 2007 and ends on August 30, 2013, subject to earlier termination under special circumstances. Under the terms of the agreement CDA grants and transfers and Northland/AEG accepts and assumes full and exclusive managerial, operational and financial responsibility for the facility. Northland/AEG will be fully responsible for all obligations and requirements binding upon the Tenant under the City Lease and CDA including (i) the payment to CDA of each installment of City Base Annual (ii) maintenance and repair of the Facilities and changes, alterations and improvements, including responsibility for all Capital expenditures; (iii) taxes and utilities; (iv) the use and continued operation of the Facilities; (v) indemnification and insurance; (vi) damage or deterioration of the Facilities; (vii) the condition of the Facilities upon surrender at the scheduled expiration of the City; and the hiring of residents of the City and affirmative action and equal opportunity covenants.

NOTE 7 - HARTFORD WHALERS TRANSACTION:

In connection with the XL Center transaction (Note 6), the Authority obtained the right of first refusal to acquire the Hartford Whalers National Hockey League franchise (Whalers) for \$47,500,000. The Authority exercised such right on June 27, 1994 and simultaneously sold the Whalers to KTR Hockey Limited Partnership (Partnership) for cash of \$22,000,000 and a package of deferred payments with an estimated value of \$25,500,000 as determined by the Authority after performing a review of the Whalers' projected operating results.

On June 18, 1997, the Authority and the Whalers entered into a "Settlement Agreement." Under the terms of the agreement, the Whalers were permitted to relocate their hockey franchise and in return, the Whalers agreed to pay the Authority \$20,500,000 plus interest on a portion of such principal. The principal payments commenced on July 1, 1997 with the payment of \$5,000,000. Future installments of principal ranging from \$1,000,000 to \$1,050,000 are due annually on July 1, 1998 through July 1, 2012. The payment stream along with all XL Center revenues is pledged to cover the annual debt service of the Authority's 1993 Series A and 2004 C General Obligation bonds. The Authority expects to recognize the installment of principal due July 1, 2012 as income when the payment is received.

CONNECTICUT DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - HARTFORD WHALERS TRANSACTION (Cont'd.):

In addition, the Whalers and the Authority each have granted the other party a mutual release of all claims. The Authority also retains the rights to the Whalers' name, logo, and NHL Franchise Area.

NOTE 8 - PENSION PLAN:

All the employees of the Authority participate in the State Employees' Retirement System (SERS) which is administered by the State Employees' Retirement Commission. The Authority has no liability for pension costs other than the annual contribution. In addition, the actuarial study is performed on the plan as a whole and does not provide separate information for employees of the Authority. Therefore, certain GAAP pension disclosures are omitted. Information on the total plan funding status and progress, contribution required and trend information can be found in the State's Comprehensive Annual Financial Report.

Plan Description — SERS is a single-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 and 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I and Tier IIA are contributory plans, and Tier II is a noncontributory plan. Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of 2 percent of the annual average earnings (which are based on the three highest earning years of service) over \$4,800 plus 1 percent of \$4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 65 with 5 years of service, are entitled to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. Tier II employees between the ages of 55 and 62 with 10 years but less than 25 years of service may retire with reduced benefits. In addition, Tier II and Tier IIA members with at least five but less than ten years of actual state service who terminate their state employment July 2, 1997 or later and prior to attaining age 62 will be in deferred vested status and may commence receipt of normal retirement benefits on the first of the month on or following their sixty-fifth (65) birthday.

Employees hired on and after July 1, 1997, will become members of Tier IIA. Tier IIA plan is essentially the existing Tier II plan with the exception that employee contributions of 2 percent of salary are required. Tier I members are vested after ten years of service, while Tier II and Tier IIA members may be vested after five years of service under certain conditions, and all three plans provide for death and disability benefits. The total payroll and the payroll for employees of the Authority covered by SERS was \$2,277,651 and \$2,372,601 for the years ended June 30, 2010 and 2009, respectively.

CONNECTICUT DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - PENSION PLAN (Cont'd.):

Contributions Made — The Authority's contribution is determined by applying a State-mandated percentage to eligible salaries and wages.

	<u>2010</u>	<u>2009</u>
Contribution made by the Authority	\$911,060	\$945,482
Percent of current year covered payroll	40.00%	39.85%

NOTE 9 - OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK AND COMMITMENTS:

Off-Balance-Sheet Risk — The Authority is a party to off-balance-sheet financial transactions in the normal course of business. These may expose the Authority to credit risks in excess of the amounts recognized on the balance sheet.

CONNECTICUT DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - OFF-BALANCE-SHEET RISK, CONCENTRATION OF CREDIT RISK AND COMMITMENTS (Cont'd.)

The Authority's exposure to credit loss in the event of nonperformance by the other party to the off-balance-sheet financial transactions is represented by the contractual amount of those instruments. Total credit exposure related to these items at June 30 is summarized below:

	Years Ended June 30,	
	2010	2009
	<u>Contract</u>	<u>Contract</u>
	<u>Amount</u>	<u>Amount</u>
Loan commitments:		
Growth Fund	\$ 1,529,669	\$ 2,814,515
Connecticut		
Redevelopment		
Authority	-	7,300,000
Connecticut Works		
Fund ("A")	<u>8,155,880</u>	<u>8,975,800</u>
	<u>\$ 9,685,549</u>	<u>\$ 19,090,315</u>
Loan guarantees:		
Connecticut Works		
Fund ("A")	\$ 2,795,428	\$ 694,700
Connecticut Capital		
Access Fund	<u>2,446,280</u>	<u>2,997,660</u>
	<u>\$ 5,241,708</u>	<u>\$ 3,692,360</u>

Loan commitments, commitments to guarantee, and guarantees are generally made using the same underwriting standards as those funded and recorded on the balance sheet.

Concentrations of Credit Risk — The Authority has granted commercial loans and loan guarantees to customers in Connecticut. The majority of the Authority's loan portfolio is comprised of commercial mortgage loans secured by business assets located principally in Connecticut. Certain customers of the Authority also transact business with the State or its agencies.

CONNECTICUT DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OFFICE LEASES:

The Authority had entered into a 60-month lease, which commenced June 1, 2002, for office space in Rocky Hill, Connecticut at an annual base rent of \$50,019. With the acquisition of additional space during 2006, the amended lease, which continued to May 31, 2010, called for an increase of the base rent to \$53,771. The current lease, which runs through May, 2015, calls for a base rent of \$59,162 annually. Additionally, the Authority has lease agreements for certain office equipment. The future minimum lease payments under all leases at June 30, 2010 are:

2011	78,585
2012	75,988
2013	71,687
2014	62,077
2015	<u>54,230</u>
	<u>\$ 342,567</u>

During 2010 and 2009, the Authority incurred lease expense of \$75,325 and \$82,666, respectively.

NOTE 11 - LITIGATION:

The Authority is involved in litigation arising from its operations. After review of all significant matters with counsel, management believes that the resolution of these matters will not materially affect the Authority's financial position or results of operations.

CONNECTICUT DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF NET ASSETS
Year ended June 30, 2010

	Total All Funds Excluding <u>XL Center</u>	<u>XL Center</u>	Total <u>All Funds</u>
ASSETS			
CURRENT ASSETS			
Unrestricted cash and cash equivalents	\$ 21,615,393	\$ -	\$ 21,615,393
Cash and cash equivalents for loan commitments	9,685,549	-	9,685,549
Loans	5,373,105	-	5,373,105
Interest and other receivables	523,410	22,189	545,599
Prepaid and deferred expenses	128,748	375,932	504,680
Total current assets	<u>37,326,205</u>	<u>398,121</u>	<u>37,724,326</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	17,091,928	917,423	18,009,351
Marketable securities	-	3,008,095	3,008,095
Total restricted assets	<u>17,091,928</u>	<u>3,925,518</u>	<u>21,017,446</u>
Loans, less allowance of \$11,290,743	51,163,579	-	51,163,579
Program investments	1,228,011	-	1,228,011
Furniture and equipment at cost less accumulated depreciation of \$38,483,411	92,675	-	92,675
Prepaid and deferred expenses	302,916	-	302,916
Due from State of Connecticut	<u>13,019,330</u>	<u>-</u>	<u>13,019,330</u>
Total noncurrent assets	<u>82,898,439</u>	<u>3,925,518</u>	<u>86,823,957</u>
Total assets	<u>\$ 120,224,644</u>	<u>\$ 4,323,639</u>	<u>\$ 124,548,283</u>

CONNECTICUT DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF NET ASSETS (Cont'd.)
Year ended June 30, 2010

	Total All Funds Excluding <u>XL Center</u>	<u>XL Center</u>	Total <u>All Funds</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Current portion of bonds payable	\$ 1,900,000	\$ 1,525,000	\$ 3,425,000
Accrued expenses and liabilities	1,477,243	39,078	1,516,321
Deferred revenue	24,814	379,211	404,025
Reserve for guarantee losses	872,255	-	872,255
Total current liabilities	<u>4,274,312</u>	<u>1,943,289</u>	<u>6,217,601</u>
Noncurrent liabilities:			
Escrow deposits	8,687,361	-	8,687,361
Bonds payable, net of current portion	11,225,000	4,575,000	15,800,000
Deferred revenue	-	531,558	531,558
Total noncurrent liabilities	<u>19,912,361</u>	<u>5,106,558</u>	<u>25,018,919</u>
Total liabilities	<u>24,186,673</u>	<u>7,049,847</u>	<u>31,236,520</u>
NET ASSETS			
Invested in capital assets, net of related debt	92,675	-	92,675
Restricted	8,404,567	3,925,518	12,330,085
Unrestricted	87,540,729	(6,651,726)	80,889,003
Total net assets	<u>96,037,971</u>	<u>(2,726,208)</u>	<u>93,311,763</u>
Total liabilities and net assets	<u>\$ 120,224,644</u>	<u>\$ 4,323,639</u>	<u>\$ 124,548,283</u>

CONNECTICUT DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Year ended June 30, 2010

	Lending and Economic Development	XL Center	Total
OPERATING REVENUES			
Northland AEG Contribution	\$ -	\$ 2,228,964	\$ 2,228,964
Interest investment income	201,025	179,884	380,909
Other income	543,696	3,279	546,975
Whaler exit fee	-	1,050,000	1,050,000
Fees and premiums earned	897,440	-	897,440
Interest on loans	3,213,634	-	3,213,634
Total operating revenues	4,855,795	3,462,127	8,317,922
OPERATING EXPENSES			
CDA Contribution	-	1,225,000	1,225,000
Payroll and fringe benefits	3,782,150	-	3,782,150
Interest	689,768	346,937	1,036,705
Provision for loan and guarantee losses	850,000	-	850,000
Professional service fees	320,679	-	320,679
Marketing and development	79,629	-	79,629
General facility and office	374,774	2,228,964	2,603,738
Depreciation and amortization	123,165	-	123,165
Other	11,262	-	11,262
Total operating expenses	6,231,427	3,800,901	10,032,328
OPERATING LOSS	\$ (1,375,632)	\$ (338,774)	\$ (1,714,406)
NON-OPERATING ITEMS			
Gain on investments	9,927	-	9,927
Change in net assets	(1,365,705)	(338,774)	(1,704,479)
Transfers	(2,631,280)	2,631,280	-
Net assets, beginning of year	100,034,956	(5,018,714)	95,016,242
Net assets, end of year	\$ 96,037,971	\$ (2,726,208)	\$ 93,311,763

See notes to financial statements.

CONNECTICUT DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

	Lending and Economic Development	XL Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
XL Center revenues	\$ -	\$ 3,305,593	\$ 3,305,593
Program fees collected	812,238	-	812,238
Guarantee/insurance fees collected	89,392	-	89,392
Interest from loans	2,751,518	-	2,751,518
Other fees collected	41,319	-	41,319
XL Center expenses	-	(3,305,593)	(3,305,593)
Payroll and fringe benefits paid	(3,713,364)	-	(3,713,364)
General and administrative expenses paid	(1,015,126)	-	(1,015,126)
Program and service fees paid	(9,287)	-	(9,287)
Loan principal collected	6,233,331	-	6,233,331
Loans funded	(15,691,873)	-	(15,691,873)
Cash from recovery of principal	46,991	-	46,991
Guarantees paid	(50,435)	-	(50,435)
Net cash provided (used) by operating activities	(10,505,296)	-	(10,505,296)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in escrow deposits	3,142,651	-	3,142,651
Cash paid for Brownsfield funding	(4,313)	-	(4,313)
Principal payments on bonds	(1,835,000)	(1,021,750)	(2,856,750)
Interest payments on bonds	(714,103)	(240,111)	(954,214)
Net cash provided (used) in noncapital financing activities	589,235	(1,261,861)	(672,626)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on bonds	-	(503,250)	(503,250)
Interest payments on bonds	-	(118,264)	(118,264)
Net cash used in capital and related financing activities	-	(621,514)	(621,514)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of program investments	915	-	915
Cash from interest on investments	201,918	180,087	382,005
Purchase of furniture and equipment	(19,334)	-	(19,334)
Transfers	(1,696,803)	1,696,803	-
Net cash provided (used) by investing activities	(1,513,304)	1,876,890	363,586
Net decrease in cash and cash equivalents	(11,429,365)	(6,485)	(11,435,850)
CASH AND CASH EQUIVALENTS, Beginning of year	59,822,235	923,908	60,746,143
CASH AND CASH EQUIVALENTS, End of year	\$ 48,392,870	\$ 917,423	\$ 49,310,293

See notes to financial statements.

CONNECTICUT DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF CASH FLOWS (Cont'd.)
Year Ended June 30, 2010

	Lending and Economic Development	XL Center	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (1,375,632)	\$ (338,774)	\$ (1,714,406)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Interest expense on bonds and notes payable	689,768	346,937	1,036,705
Interest income on investments and cash and cash equivalents	(201,025)	(179,884)	(380,909)
Depreciation	76,551	-	76,551
Amortization of deferred bond issue expense net of special items	46,614	-	46,614
Amortization of bond issue premium	-	(3,279)	(3,279)
Provision for loan and insurance losses	850,000	-	850,000
Recoveries of loan principal	46,991	-	46,991
Guarantees paid	(50,435)	-	(50,435)
Change in assets and liabilities:			
Loans receivable	(9,458,543)	-	(9,458,543)
Interest and other receivables	(398,817)	-	(398,817)
Due from State of Connecticut	88,451	-	88,451
Accrued expenses	(754,715)	175,000	(579,715)
Other assets	(5,396)	(26,629)	(32,025)
Unearned insurance premium	4,192	-	4,192
Deferred revenue	(63,300)	26,629	(36,671)
Net cash provided (used) by operating activities	<u>\$ (10,505,296)</u>	<u>\$ -</u>	<u>\$ (10,505,296)</u>

See notes to financial statements.

CONNECTICUT DEVELOPMENT AUTHORITY
INDIVIDUAL FUNDS - STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds	
									Excluding Hartford XL Center	XL Center Total all Funds
CURRENT ASSETS										
Cash and cash equivalents	\$ 21,615,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,615,393	\$ 21,615,393
Cash and cash equivalents for loan commitments	9,685,549	-	-	-	-	-	-	-	9,685,549	9,685,549
Loans	375,417	260,509	-	260,509	1,333,047	3,404,132	-	-	5,373,105	5,373,105
Interest and other receivables	753	338,075	-	338,075	53,268	131,314	-	-	523,410	545,599
Prepays and deferred expenses	128,748	-	-	-	-	-	-	-	128,748	375,932
Total current assets	31,805,860	598,584	-	598,584	1,386,315	3,535,446	-	-	37,326,205	398,121
NONCURRENT ASSETS										
Restricted assets:										
Restricted cash and cash equivalents	13,766,563	128,216	-	128,216	-	-	-	3,197,149	17,091,928	18,009,351
Marketable securities	-	-	-	-	-	-	-	-	-	3,008,095
Total restricted assets	13,766,563	128,216	-	128,216	-	-	-	3,197,149	17,091,928	21,017,446
Loans	4,268,331	10,023,122	-	10,023,122	11,542,196	36,620,673	-	-	62,454,322	62,454,322
Allowance for possible loan losses	-	(355,540)	(151,087)	(506,627)	(2,278,679)	(8,505,437)	-	-	(11,290,743)	(11,290,743)
Loans, net	4,268,331	9,667,582	(151,087)	9,516,495	9,263,517	28,115,236	-	-	51,163,579	51,163,579
Program investments	-	-	-	-	753,011	475,000	-	-	1,228,011	1,228,011
Bond investment - CBRA	-	1,000,000	-	1,000,000	-	-	-	-	1,000,000	1,000,000
Bonds Payable - CBRA	-	(1,000,000)	-	(1,000,000)	-	-	-	-	(1,000,000)	(1,000,000)
CBRA investment, net	-	-	-	-	-	-	-	-	-	-
Furniture and equipment (General Operations) at cost, less accumulated depreciation of \$414,829	92,675	-	-	-	-	-	-	-	92,675	92,675
Furniture and equipment (XL Center) at cost, less accumulated depreciation of \$38,068,582	-	-	-	-	-	-	-	-	-	-
Prepays and deferred expenses	302,916	-	-	-	-	-	-	-	302,916	302,916
Due from State of Connecticut	355,644	-	-	-	-	9,975,008	-	2,688,678	13,019,330	13,019,330
Total noncurrent assets	18,786,129	9,795,798	(151,087)	9,644,711	10,016,528	38,565,244	-	5,885,827	82,898,439	86,823,957
Total assets	\$ 50,591,989	\$ 10,394,382	\$ (151,087)	\$ 10,243,295	\$ 11,402,843	\$ 42,100,690	\$ -	\$ 5,885,827	\$ 120,224,644	\$ 124,548,283

CONNECTICUT DEVELOPMENT AUTHORITY
INDIVIDUAL FUNDS - STATEMENT OF NET ASSETS
June 30, 2010

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding XL Center	XL Center	Total all Funds
LIABILITIES AND NET ASSETS											
LIABILITIES											
Current liabilities:											
Current portion of bonds payable	\$ 1,900,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,900,000	\$ 1,525,000	\$ 3,425,000
Premium on bonds payable	-	-	-	-	-	-	-	-	-	3,279	3,279
Accrued interest	192,957	11,611	-	11,611	-	-	-	-	204,568	39,078	243,646
Accrued expenses	1,270,501	-	5	5	1,929	237	3	-	1,272,675	-	1,272,675
Deferred revenue/unearned interest	5,000	-	-	-	-	-	-	-	5,000	375,932	380,932
Reserve for Guarantee losses	-	-	-	-	-	203,791	-	668,464	872,255	-	872,255
Unearned guarantee/insurance premiums/fees	-	-	8,233	8,233	-	11,581	-	-	19,814	-	19,814
Total current liabilities	3,368,458	11,611	8,238	19,849	1,929	215,609	3	668,464	4,274,312	1,943,289	6,217,601
Noncurrent liabilities:											
Escrow deposits	8,687,361	-	-	-	-	-	-	-	8,687,361	-	8,687,361
Bonds payable, net of current portion	11,225,000	-	-	-	-	-	-	-	11,225,000	4,575,000	15,800,000
Premium on bonds payable	-	-	-	-	-	-	-	-	-	6,558	6,558
Deferred revenue/unearned interest	-	-	-	-	-	-	-	-	-	525,000	525,000
Total noncurrent liabilities	19,912,361	-	-	-	-	-	-	-	19,912,361	5,106,558	25,018,919
Total liabilities	23,280,819	11,611	8,238	19,849	1,929	215,609	3	668,464	24,186,673	7,049,847	31,236,520
NET ASSETS											
Invested in capital assets, net of related debt	92,675	-	-	-	-	-	-	-	92,675	-	92,675
Restricted	5,079,202	128,216	-	128,216	-	-	-	3,197,149	8,404,567	3,925,518	12,330,085
Unrestricted	22,139,293	10,234,555	(159,325)	10,095,230	11,400,914	41,885,081	(3)	2,020,214	87,540,729	(6,651,726)	80,889,003
Total net assets	27,311,170	10,382,771	(159,325)	10,223,446	11,400,914	41,885,081	(3)	5,217,363	96,037,971	(2,726,208)	93,311,763
Total liabilities and net assets	\$ 50,591,989	\$ 10,394,382	\$ (151,087)	\$ 10,243,295	\$ 11,402,843	\$ 42,100,690	\$ -	\$ 5,885,827	\$ 120,224,644	\$ 4,323,639	\$ 124,548,283

CONNECTICUT DEVELOPMENT AUTHORITY
INDIVIDUAL FUNDS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year ended June 30, 2010

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding XL Center	XL Center	Total all Funds
OPERATING REVENUES											
XL Center revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,462,127	\$ 3,462,127
Application fees	17,500	250	-	250	1,500	4,250	-	-	23,500	-	23,500
Acceptance fees	709,626	19,000	-	19,000	27,968	28,105	-	-	784,699	-	784,699
Premiums earned	-	-	25,392	25,392	-	30,899	-	32,950	89,241	-	89,241
Interest on loans	301,011	654,129	-	654,129	591,780	1,655,699	685	10,330	3,213,634	-	3,213,634
Interest income from investments	145,585	55,440	-	55,440	-	-	-	-	201,025	-	201,025
Other	502,377	-	-	-	28,156	13,163	-	-	543,696	-	543,696
Total operating revenues	1,676,099	728,819	25,392	754,211	649,404	1,732,116	685	43,280	4,855,795	3,462,127	8,317,922
OPERATING EXPENSES											
XL Center expenses											
Interest	-	-	-	-	-	-	-	-	-	3,800,901	3,800,901
Payroll and fringe benefits	634,768	55,000	-	55,000	-	-	-	-	689,768	-	689,768
Credit investigation	3,782,150	-	-	-	-	-	-	-	3,782,150	-	3,782,150
Legal	14,221	-	-	-	-	-	-	-	14,221	-	14,221
Accounting	123,420	-	-	-	-	-	-	-	123,420	-	123,420
Consulting	43,000	-	-	-	-	-	-	-	43,000	-	43,000
Travel and conferences	137,238	-	-	-	-	-	-	-	137,238	-	137,238
Personnel development	16,089	-	-	-	-	-	-	-	16,089	-	16,089
Marketing	3,734	-	-	-	-	-	-	-	3,734	-	3,734
General facility	59,806	-	-	-	-	-	-	-	59,806	-	59,806
Telephone	130,062	-	-	-	-	-	-	-	130,062	-	130,062
Maintenance	10,154	-	-	-	-	-	-	-	10,154	-	10,154
Leased equipment	69,191	-	-	-	-	-	-	-	69,191	-	69,191
Insurance expense	21,553	-	-	-	-	-	-	-	21,553	-	21,553
Office supplies	110,395	-	-	-	-	-	-	-	110,395	-	110,395
Depreciation	33,419	-	-	-	-	-	-	-	33,419	-	33,419
Trustee and service fees	76,551	-	-	-	-	-	-	-	76,551	-	76,551
Amortization of deferred bond issue expenses	2,800	-	-	-	-	-	-	-	2,800	-	2,800
Provision for loan and guarantee losses	46,614	-	-	-	350,000	450,000	50,000	-	46,614	-	46,614
Loan work-out	-	-	186	186	5,240	5,767	-	-	850,000	-	850,000
Other	-	-	-	-	-	-	-	-	11,193	-	11,193
Allocation of intra-fund administrative expenses	69	-	-	-	-	-	-	-	69	-	69
Total operating expenses	(3,639,135)	673,819	25,965	699,784	1,371,745	1,541,641	25,965	-	6,231,427	3,800,901	10,032,328
OPERATING INCOME (LOSS)	1,676,099	728,819	26,151	754,970	1,726,985	1,997,408	75,965	-	(1,375,632)	(338,774)	(1,714,406)
NON-OPERATING ITEMS											
Gain on investments	-	-	-	-	9,927	-	-	-	9,927	-	9,927
CHANGE IN NET ASSETS	-	-	(759)	(759)	(1,067,654)	(265,292)	(75,280)	43,280	(1,365,705)	(338,774)	(1,704,479)
NET ASSETS, Beginning of year	47,339,461	-	(160,017)	(160,017)	11,066,120	36,678,327	170	5,110,895	100,034,956	(5,018,714)	95,016,242
Transfer	(20,028,291)	10,382,771	1,451	10,384,222	1,402,448	5,472,046	75,107	63,188	(2,631,280)	2,631,280	-
NET ASSETS, End of year	\$ 27,311,170	\$ 10,382,771	\$ (159,325)	\$ 10,223,446	\$ 11,400,914	\$ 41,885,081	\$ (3)	\$ 5,217,363	\$ 96,037,971	\$ (2,726,208)	\$ 93,311,763

CONNECTICUT DEVELOPMENT AUTHORITY
INDIVIDUAL FUNDS - STATEMENT OF CASH FLOWS
Year ended June 30, 2010

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding XL Center	XL Center	Total all Funds
CASH FLOWS FROM OPERATING ACTIVITIES											
XL Center revenues	\$ 727,125	\$ 19,250	\$ -	\$ -	\$ 29,468	\$ 32,355	\$ -	\$ -	\$ 812,238	\$ 3,305,593	\$ 3,305,593
Program fees collected	-	-	-	19,250	-	-	-	4,040	-	-	-
Guarantee/insurance fees collected	-	-	24,700	24,700	-	35,782	-	28,910	89,392	-	89,392
Interest from loans	301,010	264,393	-	264,393	597,201	1,577,728	856	10,330	2,751,518	-	2,751,518
Other fees collected	-	-	-	-	28,156	13,163	-	-	41,319	-	41,319
XL Center expenses	-	-	-	-	-	-	-	-	-	(3,305,593)	(3,305,593)
Payroll and fringe benefits paid	(3,713,364)	-	-	-	-	-	-	-	(3,713,364)	-	(3,713,364)
General and administrative expenses paid	(1,015,126)	-	-	-	-	-	-	-	(1,015,126)	-	(1,015,126)
General and administrative expenses allocated to programs	3,639,136	(673,819)	(25,965)	(699,784)	(1,371,746)	(1,541,641)	(25,965)	-	-	-	-
Program and service fees paid	-	-	(186)	(186)	(3,570)	(5,529)	-	(2)	(9,287)	-	(9,287)
Loan principal collected	392,500	319,817	-	319,817	2,911,789	2,609,225	-	-	6,233,331	-	6,233,331
Loans funded	-	(3,800,000)	-	(3,800,000)	(3,602,953)	(8,288,920)	-	-	(15,691,873)	-	(15,691,873)
Cash from recovery of principal	-	-	-	-	1,200	-	45,791	-	46,991	-	46,991
Guarantee's paid	-	-	-	-	-	-	-	(50,435)	(50,435)	-	(50,435)
Net cash provided (used) by operating activities	331,281	(3,870,359)	(1,451)	(3,871,810)	(1,410,455)	(5,567,837)	20,682	(7,157)	(10,505,296)	-	(10,505,296)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES											
Increase in escrow deposits	3,142,651	-	-	-	-	-	-	-	3,142,651	-	3,142,651
Cash paid for Brownsfield funding	-	(4,313)	-	(4,313)	-	-	-	-	(4,313)	-	(4,313)
Principal payments on bonds	(1,835,000)	-	-	-	-	-	-	-	(1,835,000)	(1,021,750)	(2,856,750)
Interest payments on bonds	(639,103)	(55,000)	-	(55,000)	-	-	-	-	(714,103)	(240,111)	(954,214)
Net cash provided (used) by noncapital financing activities	648,548	(59,313)	-	(59,313)	-	-	-	-	589,235	(1,261,861)	(672,626)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES											
Principal payments on bonds	-	-	-	-	-	-	-	-	-	(503,250)	(503,250)
Interest payments on bonds	-	-	-	-	-	-	-	-	-	(118,264)	(118,264)
Net cash used in capital and related financing activities	-	-	-	-	-	-	-	-	-	(621,514)	(621,514)

CONNECTICUT DEVELOPMENT AUTHORITY
INDIVIDUAL FUNDS - STATEMENT OF CASH FLOWS - continued
Year ended June 30, 2010

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding XL Center	XL Center	Total all Funds
CASH FLOWS FROM INVESTING ACTIVITIES											
Proceeds from sale of program investments	\$ -	\$ -	\$ -	\$ -	\$ 915	\$ -	\$ -	\$ -	\$ 915	\$ -	\$ 915
Cash from interest on investments	146,450	55,468	-	55,468	-	-	-	-	201,918	180,087	382,005
Purchase of furniture and equipment	(19,334)	-	-	-	-	-	-	-	(19,334)	-	(19,334)
Transfers	(12,585,672)	3,874,626	1,451	3,876,077	1,402,447	5,567,837	(20,682)	63,190	(1,696,803)	1,696,803	-
Net cash provided by (used in) investing activities	(12,458,556)	3,930,094	1,451	3,931,545	1,403,362	5,567,837	(20,682)	63,190	(1,513,304)	1,876,890	363,586
Net increase (decrease) in cash and cash equivalents	(11,478,727)	422	-	422	(7,093)	-	-	56,033	(11,429,365)	(6,485)	(11,435,850)
CASH AND CASH EQUIVALENTS, Beginning of year	56,546,232	127,794	-	127,794	7,093	-	-	3,141,116	59,822,235	923,908	60,746,143
CASH AND CASH EQUIVALENTS, End of year	\$ 45,067,505	\$ 128,216	\$ -	\$ 128,216	\$ -	\$ -	\$ -	\$ 3,197,149	\$ 48,392,870	\$ 917,423	\$ 49,310,293
RECONCILIATION OF OPERATING INCOME (LOSS) TO											
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES											
Operating income (loss)	\$ -	\$ -	\$ (759)	\$ (759)	\$ (1,077,581)	\$ (265,292)	\$ (75,280)	\$ 43,280	\$ (1,375,632)	\$ (338,774)	\$ (1,714,406)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:											
Interest expense on bonds and notes payable	-	-	-	-	-	-	-	-	-	-	-
Interest income on investments and cash and cash equivalents	634,768	55,000	-	55,000	-	-	-	-	689,768	346,937	1,036,705
Depreciation	(145,585)	(55,440)	-	(55,440)	-	-	-	-	(201,025)	(179,884)	(380,909)
Amortization of deferred bond issue expense	76,551	-	-	-	-	-	-	-	76,551	-	76,551
Amortization of bond issue premium	46,614	-	-	-	-	-	-	-	46,614	-	46,614
Provision for loan and insurance losses	-	-	-	-	-	-	-	-	-	(3,279)	(3,279)
Recoveries of loan principal	-	-	-	-	350,000	450,000	50,000	-	850,000	-	850,000
Guarantees paid	-	-	-	-	1,200	-	45,791	-	46,991	-	46,991
Change in assets and liabilities:								(50,435)	(50,435)	-	(50,435)
Decrease in loans receivable	392,500	(3,480,183)	-	(3,480,183)	(691,165)	(5,679,695)	-	-	(9,458,543)	-	(9,458,543)
(Increase) decrease in interest & other receivables	-	(326,436)	-	(326,436)	5,421	(77,971)	171	(2)	(398,817)	-	(398,817)
Due from State of Connecticut	88,451	-	-	-	-	-	-	-	88,451	-	88,451
Accrued expenses	(756,622)	-	-	-	1,670	237	-	-	(754,715)	175,000	(579,715)
Other assets	(5,396)	-	-	-	-	-	-	-	(5,396)	(26,629)	(32,025)
Unearned insurance premium	-	-	(692)	(692)	-	4,884	-	-	4,192	-	4,192
Deferred revenue	-	(63,300)	-	(63,300)	-	-	-	-	(63,300)	26,629	(36,671)
Net cash provided (used) by operating activities	\$ 331,281	\$ (3,870,359)	\$ (1,451)	\$ (3,871,810)	\$ (1,410,455)	\$ (5,567,837)	\$ 20,682	\$ (7,157)	\$ (10,505,296)	\$ -	\$ (10,505,296)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Connecticut Developmental Authority
Rocky Hill, Connecticut

We have audited the financial statements of Connecticut Developmental Authority's (a component unit of the State of Connecticut) as of and for the year ended June 30, 2010 and have issued our report thereon dated October 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Connecticut Developmental Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connecticut Developmental Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Connecticut Developmental Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connecticut Developmental Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. These laws and regulations included the provisions of Connecticut Public Act No. 88-266 Section 41 (the Act) which address affirmative action, personnel practice, the purchase of goods and services, the use of surplus funds, the issuance and retirement of bonds and the award of loans. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors and the State of Connecticut and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Marcum LLP". The script is cursive and fluid, with the letters "M", "a", "r", "c", "u", "m" connected together, followed by "LLP".

Hartford, Connecticut
October 20, 2010